

Message Text

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ACTION ARA-20

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TAGS: ENRG VE

SUBJECT: FURTHER OIL COMPANY REACTION TO NATIONALIZATION
STATEMENT

REF: CARACAS 4420

1. G.S. YOUNG, ACTING PRESIDENT OF MOBIL OIL COMPANY OF VENEZUELA, CAME INTO EMBASSY AT AMBASSADOR'S REQUEST TODAY TO DISCUSS PRESIDENT PEREZ'S SPEECH ON NATIONALIZATION.

2. YOUNG SAID HE WAS REASONABLY ENCOURAGED BY TONE AND CONTENT OF PRESIDENT'S SPEECH. PARTICULARLY HELPFUL ASPECTS WERE THAT: (1) PRESIDENT LEFT OPEN POSSIBILITY FOR COMPANIES TO PLAY CONTINUING ROLE IN VENEZUELA AFTER NATIONALIZATION; (2) NO SPECIFIC TIMETABLE FOR NATIONALIZATION WAS ESTABLISHED; AND (3) PRESIDENT PEREZ MADE APPROPRIATE REFERENCES TO MEETING OBLIGATIONS AND ALSO, AT ONE POINT, REFERRED TO OIL COMPANIES AS VENEZUELA'S PARTNERS.

3. REGARDING FUTURE ORGANIZATION OF INDUSTRY, YOUNG SAID THAT
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MOBIL HAS HOPES, WHICH ARE NOT WITHOUT FOUNDATION, THAT IT WOULD

BECOME RESPONSIBLE FOR MANAGEMENT OF FOURTH COMPANY REFERRED TO BY PRESIDENT INTO WHICH SMALLER COMPANY OPERATIONS WOULD BE FOLDED. HE BELIEVES THAT MOBIL WITH ITS INTEGRATED OPERATIONS HERE IS LOGICAL CANDIDATE FOR SUCH A ROLE. LIKE CREOLE AND SHELL REPS, YOUNG DOES NOT HAVE ANY CLEAR IDEA OF HOW FOUR COMPANIES WOULD BE ORGANIZED OR WHAT SPECIFIC ROLES EXISTING OIL COMPANIES WOULD PLAY IN FUTURE ORGANIZATION.

4. REGARDING COMPENSATION, YOUNG SAID THAT ALL COMPANIES WOULD NATURALLY PREFER TO RECEIVE COMPENSATION IN CASH, BUT THEY WOULD NOT BE LIKELY TO REJECT CONCEPT RECEIVING COMPENSATION IN GOVERNMENT BONDS. VENEZUELAN BONDS DO HAVE VALUE, AND, MORE IMPORTANTLY, COMPENSATION IS NOT A MAJOR ISSUE - WHAT IS REALLY IMPORTANT TO COMPANIES IS TO RETAIN ACCESS TO VENEZUELAN OIL AND SECONDARILY TO CONTINUE TO PARTICIPATE TO EXTENT POSSIBLE IN MANAGING INDUSTRY.

5. YOUNG SAID THAT THE ONLY REAL SURPRISE IN PRESIDENT PEREZ'S MESSAGE WAS INDICATION THAT SERVICE CONTRACTS WILL FALL INTO NATIONALIZATION PICTURE. PRESIDENT DID NOT MAKE CLEAR IN WHAT WAY SERVICE CONTRACTS WOULD BE AFFECTED BUT PREVIOUS CONCEPT OF REVERSION HAD BEEN RELATED TO PETROLEUM CONCESSIONS. SO FAR AS U.S. COMPANIES ARE CONCERNED (MOBIL AND OCCIDENTAL), THEIR EXPLORATIONS IN THE SOUTH LAKE HAVE THUS FAR NOT LED TO RESULTS CLEAR ENOUGH SO THAT THEY COULD SAY WITH CERTAINTY WHETHER OR NOT THEY WOULD BE INJURED BY LOSS OF THAT AREA.
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